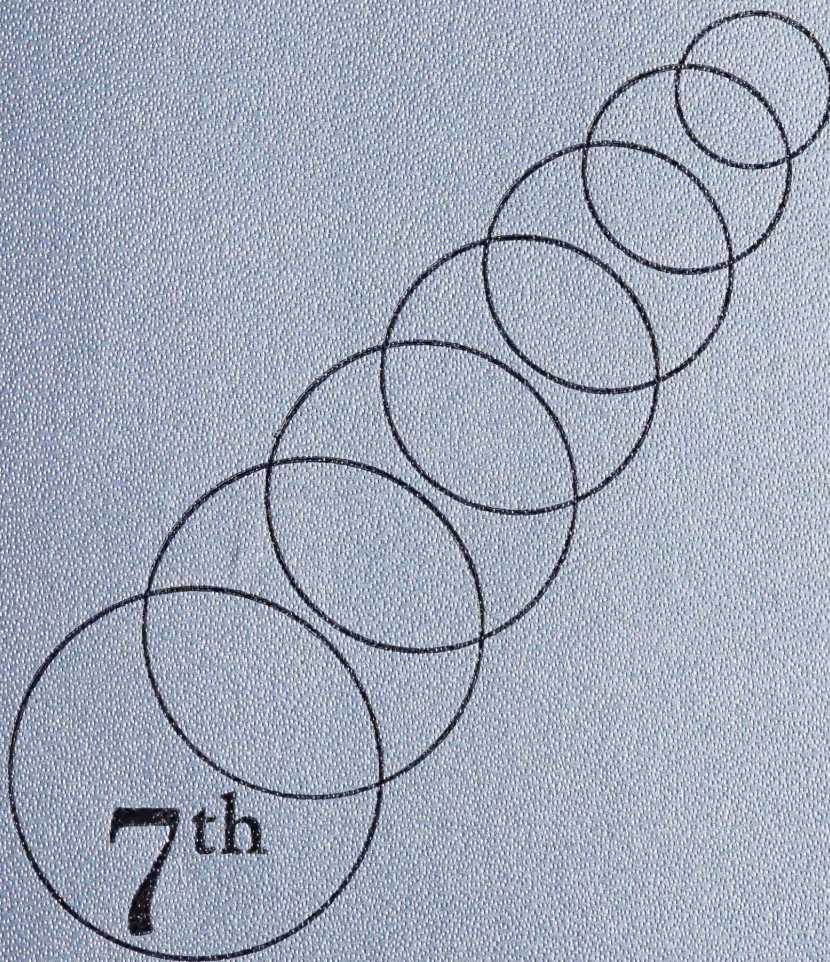


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John Kelly

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**NORTHLAND TRUST
COMPANY**



ANNUAL REPORT 1968



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FINANCIAL HIGHLIGHTS

Some highlights of your Company's operation together with comparative figures covering a four-year period are noted below.

For the year ended October 31, 1968, total assets increased by \$4,685,906 which is the largest increase in the Company's history.

In that same period, significant progress was achieved in profitability. Operating profit before Allowances for Depreciation and Reserves amounted to \$35,759 in 1968, compared to a loss of \$37,414 in 1967. Profit after Allowances for Depreciation and Reserves was \$5,183 as compared to a loss of \$80,204 in 1967.

	<u>1968</u> (000)	<u>1967</u> (000)	<u>1966</u> (000)	<u>1965</u> (000)
Savings and Term Deposits	\$ 5,676	\$ 4,702	\$3,566	\$2,975
G. I. C.'s	\$10,407	\$ 7,380	\$4,795	\$3,051
Total Guaranteed Funds	\$16,084	\$12,083	\$8,361	\$6,026
Estates, Trusts and Agencies	\$ 1,085	\$ 738	\$ 388	\$ 65
Total Assets	\$18,616	\$13,930	\$9,930	\$6,998
Net Profit	\$ 5	\$ (80)	\$ (124)	\$ (141)

DIRECTORS

- A. R. Biggs
E. C. Bovey
Toronto
Toronto
- F. G. Carrotte, C.A.
Kirkland Lake
- P. H. Harrower
Timmins
- J. A. Kennedy
North Bay
- R. A. Kennedy
Toronto
- G. E. Knowles
Kapuskasing
- A. M. Korman
Timmins
- J. W. McBean
Kirkland Lake
- J. L. C. McKay-Clements, P.Eng.
New Liskeard
- D. McKelvie
New Liskeard
- J. P. McVittie
Sudbury
- R. H. Pope, C.A.
Timmins
- J. S. Stewart
Haileybury
- G. E. Wallace, Q.C.
North Bay
- Member Executive Committee

OFFICERS

- | | |
|----------------------|----------------------------------|
| J. W. McBean | Chairman of the Board |
| P. H. Harrower | President and
General Manager |
| J. A. Kennedy | Vice-President |
| H. W. Gauthier, Q.C. | Secretary |
| Mrs. G. Roscoe | Assistant Secretary |
| R. H. Pope | Treasurer |

Report to Shareholders

On behalf of the Board of Directors, I am pleased to present the Seventh Annual Report of your Company which includes financial statements for the twelve months ended October 31st, 1968, together with the Auditors' Report.

The statements illustrate a year of record growth which was accomplished during a period of intensive competition and rising interest rates. The increasing use of our services by residents of northeastern Ontario clearly indicates the need and desirability of regionally oriented trust companies such as the Northland.

STATUTORY

It is expected that legislators will have the time and foresight in 1969 to enact legislation which will implement some recommendations made by the Porter Royal Commission on Banking and Finance. If enacted, such recommendations would lead to a more competitive financial community which would be in the interests of all Canadians. Revision of federal and provincial legislation would permit trust companies to increase their borrowing powers by one-third to 20 times total capital and reserves from the current 15 times. Increased powers in this area are expected to be granted on a discretionary basis by regulatory authorities to companies with a good record of performance.

Additional powers in the field of consumer lending are also expected. Trust companies now make consumer loans on an agency basis for other institutions or on a limited basis through the use of the basket clause.

CAPITAL

As noted in the Report to Shareholders last year, it would be necessary to acquire additional capital if your Company was to continue to grow and prosper. It became a matter of increasing priority for members of the Board to seek sufficient capital to permit the taking of additional deposits. It is a difficult task to sell stock at \$10.00 a share when its market value is \$5.00. Nevertheless, this is what was accomplished by your directors and resulted in \$550,000 of new capital being paid into the treasury. The addition of this capital will enable the Company to take deposits of \$20,000,000. If proposed legislation is enacted to increase trust companies' borrowing ratio to 20 times shareholders' equity, present capital would permit the taking of \$31,000,000 of deposits at the discretion of the Registrar of Loan and Trust Corporations.

DIRECTORS

As you can see from the foregoing, it has been a busy year for your directors all of whom continue to devote time without remuneration. On your behalf, I would like to acknowledge their contribution and attention to the Company's affairs.

Coincident with his appointment to a judgeship, Judge W. R. DuPont, Q.C., tendered his resignation. Judge DuPont was a founding shareholder and director and his contribution to the growth of your Company is gratefully acknowledged.

Mr. A. R. Biggs, C.A., was appointed to the Board to fill this vacancy. During his employment as a Manager with Clarkson, Gordon & Co., Mr. Biggs was responsible for the Northland Trust audit from 1962 to 1965.

Following the year-end, the resignation of Dr. G. H. Charlewood was accepted with regret. The vacancy was filled by the appointment of Mr. R. A. Kennedy, a well-known business executive. Mr. Kennedy's principal business associations are noted in the Information Circular and he brings to your Board a vast background of real estate development and financial experience.

At the Annual Meeting you will be asked to approve By-law No. 12 which will increase the number of directors from 15 to 16.

MORTGAGES

Northeastern Ontario not only benefits from the injection of \$11,000,000 into housing and commercial mortgage loans by Northland Trust but also from the return of lenders who had abdicated this area prior to our commencement of business.

The mortgage portfolio increased by more than \$3,000,000 in the fiscal period and I am happy to report that there are no mortgages under foreclosure and only one account in arrears in excess of sixty days. The amount of that 90-day arrear account is \$139.00 and results from a delay in the settlement of an estate. The mortgage policy of the Company continues to require applications for mortgage loans to meet our standards of quality to the end that such performance may be perpetuated.

SECURITIES

Liquidity and security continue to be governing principles of your Company's investment policy. As at October 31, 1968, cash, call loans and securities totalled 31% of all assets. Of this amount, 64% matures in less than five years; 72% of the bond portfolio is in Government of Canada and Provincial Bonds or securities guaranteed by those Governments.

ESTATES, TRUSTS AND AGENCIES

This department continues to expand its services under the able guidance of Mr. R. J. Kennedy who has 18 years of trust company experience in the Estate, Trust and Agency Department.

Important amendments to the Estate Tax Act and the Gift Tax provision of the Income Tax Act were proposed by the federal Minister of Finance on October 22nd, 1968. The changes are too extensive to be covered in this report but Wills should be reviewed and perhaps revised as a result of the proposed amendments. Our Trust Department is qualified to assist and make recommendations in such reviews.

STAFF

Mrs. G. Roscoe, the Company's Assistant Secretary, is enrolled in the Chartered Institute of Secretaries Course and is preparing for Part I of the Final Examinations. She has successfully completed the Intermediate Examinations and received the Intermediate certificate. More of the Company's corporate secretarial duties will be assumed by Mrs. Roscoe on a continuing basis. W. J. Vanstone, Manager of the Sudbury Branch, is enrolled in the third year of The Trust Companies Association Training Course, while Mr. J. W. Chapman, Manager of the North Bay Branch, Mr. N. Krcel, Manager of the Kirkland Lake Branch, and Mr. J. A. Plant, Manager of the Timmins Branch, are enrolled in the second year of the same course.

During the year, Mr. J. J. Dousett who has held various Head Office and branch appointments since he joined the Company in 1965 was appointed Supervisor, Branch Audits and Systems. On November 1, 1968, Mr. G. H. Clement was appointed Branch Manager of the Kapuskasing Branch. Mr. Clement has a background of sixteen years of banking and trust company experience and is well known in the Kapuskasing area. He succeeds Mrs. Y. Germain who was Officer-in-Charge of that branch and as of November 1st was appointed to the position of Branch Accountant.

The achievements of 1968 are in proportion to the loyal and enthusiastic endeavours of the 42 members of staff.

On behalf of the Board of Directors, it is a great pleasure to acknowledge this and to extend thanks and appreciation for a year of dedicated work.

LOOKING AHEAD

Management looks to the challenge of 1969 with enthusiasm and confidence. The development of new departments to extend other services to Ontario residents is under examination. Profitability will be increased and progress reports will go out to you on a regular basis.

Thank you for your support in this outstanding year of accomplishment and please continue to recommend the Northland's services to others.

Respectfully submitted,

P. H. HARROWER

President.

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ASSETS

		<u>1968</u>	<u>1967</u>
Cash		\$ 694,753	\$ 346,779
Accounts receivable		<u>33,255</u>	<u>21,525</u>
	<u>Market value - 1968</u>		
Securities (note 1):			
Canadian and Provincial Government Bonds	\$1,846,585	2,071,447	2,146,446
Municipal bonds	245,275	280,648	280,640
Corporate bonds and debentures	423,875	508,414	508,868
Short-term notes and deposit receipts	1,579,414	1,579,414	697,135
Stocks	<u>110,655</u>	<u>128,203</u>	<u>174,375</u>
(market value 1967 - \$3,465,693)	<u>\$4,205,804</u>	<u>4,568,126</u>	<u>3,807,464</u>
Loans on collateral securities		198,187	62,143
Mortgages less allowance for losses thereon		11,875,331	8,784,604
Fixed assets - at cost less accumulated depreciation and amortization amounting to \$70,920 (1967 - \$49,063)		<u>161,412</u>	<u>169,332</u>
		<u>\$17,531,064</u>	<u>\$13,191,847</u>

Estates, Trusts and Agencies

Cash, securities and other assets	\$ 1,085,635	\$ 738,946
	<u>\$ 1,085,635</u>	<u>\$ 738,946</u>

The attached "Notes to the Financial Statements"
should be read together with this statement.

UST COMPANY**SHEET****1, 1968**

s at October 31, 1967)

LIABILITIES AND CAPITAL

Liabilities:	<u>1968</u>	<u>1967</u>
Guaranteed account - Savings deposits	\$ 5,582,059	\$ 4,486,882
Short-term deposits	94,524	216,018
Guaranteed investment certificates	10,135,622	7,208,968
Retirement Savings Plans	<u>272,005</u>	<u>171,205</u>
	<u>16,084,210</u>	<u>12,083,073</u>
Accounts payable and accrued charges	122,930	90,033
	<u>16,207,140</u>	<u>12,173,106</u>
Capital (note 4):		
Capital stock —		
Authorized:		
200,000 shares with a par value of \$10 each	<u>\$2,000,000</u>	
Issued:		
124,800 shares	1,248,000	1,248,000
Payment received for shares to be allotted (note 3)	<u>300,000</u>	
	<u>1,548,000</u>	<u>1,248,000</u>
Less unpaid balance on forfeited shares (note 2)	25,100	25,100
	<u>1,522,900</u>	<u>1,222,900</u>
Deficit (statement 2)	198,976	204,159
	<u>1,323,924</u>	<u>1,018,741</u>
	<u>\$17,531,064</u>	<u>\$13,191,847</u>

Estates, Trusts and Agencies

Estates, trusts and agencies under administration	\$ 1,085,635	\$ 738,946
	<u>\$ 1,085,635</u>	<u>\$ 738,946</u>

On behalf of the Board

P. H. HARROWER
PresidentR. H. POPE
Treasurer

NORTHLAND TRUST COMPANY

Statement of Profit and Loss

Year Ended October 31, 1968

(with comparative amounts for the year 1967)

	<u>1968</u>	<u>1967</u>
Operating revenue:		
Income from mortgage loans	\$ 822,776	\$ 580,935
Interest and dividends from securities	306,158	200,449
Profit on sale of securities	9,007	12,131
Other operating revenue	<u>98,169</u>	<u>44,528</u>
	<u>1,236,110</u>	<u>838,043</u>
Operating expenses:		
Interest on deposits and guaranteed investment certificates	800,431	504,051
Salaries and staff benefits	234,121	217,510
Other operating expenses, including rents, commissions, advertising, printing and stationery, etc.	<u>165,799</u>	<u>153,896</u>
	<u>1,200,351</u>	<u>875,457</u>
Operating profit (loss) before other expenses	<u>35,759</u>	<u>(37,414)</u>
Other expenses:		
Depreciation and amortization	21,857	21,332
Provision for loss on mortgages	8,719	8,864
Office development and opening promotional costs		<u>12,594</u>
	<u>30,576</u>	<u>42,790</u>
Profit (loss) for the year	<u>\$ 5,183</u>	<u>\$ (80,204)</u>

STATEMENT OF DEFICIT

Balance at deficit at beginning of year	\$ 204,159	\$ 123,955
Profit (loss) for the year (statement 3)	<u>5,183</u>	<u>(80,204)</u>
Balance at deficit at end of year	<u>\$ 198,976</u>	<u>\$ 204,159</u>

The attached "Notes to the Financial Statements"
should be read together with this statement.

Notes to the Financial Statements

October 31, 1968

1. Canadian and Provincial Government bonds, Municipal bonds and Corporate bonds and debentures are carried at amortized cost plus accrued interest and other securities are carried at cost, the aggregate of which is greater than quoted market values.

Certain bonds with a par value of \$200,000 have been allotted as security for specific guaranteed investment certificates issued to Hamilton Trust and Savings Company in 1966 when the company's liability with respect to savings and chequing accounts of its former Hamilton branch was assumed by that company. These guaranteed investment certificates amount to approximately \$38,814 as at October 31, 1968.

2. As at October 31, 1968 there were 2,970 shares of the company's capital stock which had been forfeited with a total unpaid balance of \$25,100.

3. During the year ended October 31, 1968 the company received a subscription for 55,000 treasury shares (with options attached for an additional 55,000 shares exercisable at \$10 per share until September 30, 1978) at a price of \$10 each together with a cheque for \$300,000 as partial payment thereon.

Subsequent to the year-end the Board of Directors accepted the above subscription following which the company -

(1) issued 55,000 treasury shares and, subject to taking the necessary steps to increase its authorized capital, granted an option to purchase 55,000 shares at \$10 per share exercisable until September 30, 1978.

(2) received the balance owing of \$250,000.

4. During the year ended October 31, 1968 certain shareholders by agreement waived and terminated options previously granted to them for the purchase at \$10 per share of a total of 22,079 shares of the authorized capital stock of the company. At October 31, 1968 options for the purchase of 20,000 shares exercisable at \$10 per share until October 31, 1975 were still outstanding. The 10,000 shares which have been reserved in previous years for an employees' stock option plan have been released.

5. Northland Trust Company has entered into agreements to lease its head office and certain of its branch premises for various periods of up to twenty years at a total rental of \$462,400. Annual rentals under these leases amount to \$42,410.

6. The aggregate direct remuneration paid by the company in the 1968 fiscal year to certain directors (in their capacity as employees of the company) and to the senior officers (as defined under the Corporations Act of Ontario) amounted to \$60,267. No remuneration was paid to any director for serving in that capacity.

Auditors' Report

**To the Shareholders of
Northland Trust Company**

We have examined the balance sheet of Northland Trust Company as at October 31, 1968 and the accompanying statements of deficit and profit and loss. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The assets held for Guaranteed Account and for Estates, Trusts and Agencies Account are kept separate from the Company's own assets and are so earmarked on the books of the Company as to show the accounts to which they belong.

In our opinion the accompanying balance sheet and statements of deficit and profit and loss present fairly the financial position of the Company as at October 31, 1968 and the results of its operations for the year then ended.

London, Canada.
November 20, 1968.

CLARKSON, GORDON & CO.
Chartered Accountants

BRANCHES

KAPUSKASING, ONTARIO

13 Cain Avenue,

Phone: 335-2351

G. H. Clement, Manager

KIRKLAND LAKE, ONTARIO

51 Government Road West,

Phone: 567-5277

N. Krcel, Manager

NORTH BAY, ONTARIO

Fraser & McIntyre Streets,

Phone: 474-0470

J. W. Chapman, Manager

SUDBURY, ONTARIO

124 Cedar Street,

Phone: 675-1351

W. J. Vanstone, Manager

TIMMINS, ONTARIO

194 Third Avenue,

Phone: 264-9541

J. A. Plant, Manager

HEAD OFFICE — TIMMINS, ONTARIO

J. J. Dousett

Supervisor of Branch
Audits and Systems

R. J. Kennedy

Trust Officer

J. L. Pecek

Accountant

NORTHLAND TRUST SERVICES

SAVINGS ACCOUNTS

SAVE BY MAIL

CHEQUING ACCOUNTS

GUARANTEED INVESTMENT CERTIFICATES

TERM DEPOSITS

MORTGAGE LOANS

CONSUMER LOANS

EXECUTORS - TRUSTEES - ADMINISTRATORS

INVESTMENT MANAGEMENT

CORPORATE TRUSTS

RETIREMENT SAVINGS PLANS

TRUSTEED PENSION PLANS

TRUSTEE FOR BOND ISSUES

CEMETERY FUND TRUSTEE

TRUST FUND MANAGEMENT

MUNICIPAL FUND TRUSTEE

PROPERTY MANAGEMENT

MONEY ORDERS

TRAVELLERS CHEQUES

SAFETY DEPOSIT BOXES

Member: Canada Deposit Insurance Corporation

NORTHLAND TRUST COMPANY

"Built by and for Northerners"